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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 12, 2002

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

CASE NO. BFI-2002-00014

Ex Parte: In re: proposed regulation
relating to bank acquisitions of real
estate brokerage subsidiaries

ORDER TO TAKE NOTICE

WHEREAS, subdivision B 3 of § 6.1-58.1 of the Virginia Banking Act, § 6.1-3 et seq. of the Code of Virginia, authorizes the State Corporation Commission ("Commission") to allow a controlled subsidiary corporation of a state-chartered bank to engage in any business that is authorized by statute, regulation, or official interpretation for a subsidiary of (i) a national bank or (ii) an out-of-state state bank; and

WHEREAS, it has been reported that numerous states currently permit banks or bank subsidiaries to engage in real estate brokerage activities; and

WHEREAS, the Bureau of Financial Institutions has proposed a regulation that will authorize, subject to application and approval, state-chartered banks to acquire controlled subsidiary corporations engaging in real estate brokerage activities;

IT IS THEREFORE ORDERED THAT:

(1) The proposed regulation is appended hereto and made a part of the record herein.

(2) On or before September 9, 2002, any person desiring a hearing or to comment on the proposed regulation shall file a written request for hearing or written comments containing a reference to Case No. BFI-2002-00014 with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218.

(3) The proposed regulation shall be posted on the Commission's website at the following address:

<http://www.state.va.us/scc/caseinfo.orders.htm>

(4) An attested copy hereof, together with a copy of the proposed regulation, shall be sent to the Registrar of Regulations for publication in the Virginia Register.

CHAPTER 20
BANKING AND SAVINGS INSTITUTIONS

10 VAC 5-20-50. Authority for banks to invest in real estate
brokerage corporations.

A. The following words and terms, when used in this regulation,
shall have the following meanings unless the context clearly indicates
otherwise:

"Bureau" means the Bureau of Financial Institutions.

"Commission" means the State Corporation Commission.

"Commissioner" means the Commissioner of Financial Institutions.

"Control" has the meaning set forth in section 2 of the Bank Holding
Company Act of 1956 (12 U.S.C. § 1841 et seq.).

"Real estate brokerage activities" means selling or offering for sale,
buying or offering to buy, or negotiating the purchase or sale or
exchange of real estate, including units or interest in condominiums,
cooperative interest as defined in § 55-426 of the Code of Virginia,
or time-shares in a time-share program even though they may be deemed
to be securities, or leasing or offering to lease, or renting or
offering for rent, any real estate or the improvements thereon for
others.

"Real estate brokerage corporation" means a controlled subsidiary
corporation, as defined in subdivision B 1 of § 6.1-58.1 of the Code
of Virginia, which is or will be engaging in real estate brokerage
activities.

B. Pursuant to subdivision B 3 of § 6.1-58.1 of the Code of Virginia, the Commission may authorize banks to acquire, own, and hold the stock, securities, or obligations of a real estate brokerage corporation. Such authorization is hereby delegated to the Commissioner subject to review by the Commission in accordance with the Commission's Rules of Practice and Procedure (5 VAC 5-20-10 et seq.). Before any bank, whether acting alone or in conjunction with one or more other banks, acquires control of a real estate brokerage corporation, it shall obtain approval from the Commissioner.

C. Except as provided in this regulation, no bank shall acquire control of a real estate brokerage corporation unless such bank first:

1. Files an application with the Bureau in such form as the Bureau may prescribe from time to time;

2. Delivers such other information to the Bureau as the Bureau may require regarding the proposed acquisition; and

3. Pays a nonrefundable application fee of \$3,000.

D. Upon the filing of an application, the Commissioner shall be empowered to conduct an investigation in order to evaluate the following:

1. The financial resources, capital adequacy, overall condition, and latest CAMELS rating of the applicant and the impact of the proposed acquisition on the applicant's safety and soundness;

2. Detailed information regarding the operations of the real estate brokerage corporation and the structure of the proposed acquisition,

along with any controls designed to manage the applicant's exposure to risk;

3. Revenue, earnings, and other financial projections of the real estate brokerage corporation for three years and the anticipated effects on the applicant;

4. The financial, managerial, and legal history of the real estate brokerage corporation and whether the financial responsibility, character, and experience of the applicant, its directors and officers, and any directors and officers of the real estate brokerage corporation are such as to warrant belief that the real estate brokerage business will be operated efficiently and in accordance with applicable laws and regulations; and

5. Such other factors as the Commissioner deems appropriate under the circumstances.

E. Acquisitions shall be subject to such conditions as the Commissioner may impose, the terms and conditions set forth in § 6.1-58.1 of the Code of Virginia, and compliance by the applicant and real estate brokerage corporation with all other applicable state and federal laws and regulations. In the case of a real estate brokerage corporation, which is neither a domestic corporation nor a foreign corporation qualified to do business in Virginia, such real estate brokerage corporation shall maintain a registered agent in the Commonwealth of Virginia upon whom any process or notice may be served. If such real estate brokerage corporation fails to appoint or

maintain a registered agent in the Commonwealth, or whenever its registered agent cannot with reasonable diligence be found at the registered office, then the Clerk of the Commission shall be an agent of the corporation upon whom service may be made.

F. The Commissioner shall approve or deny an application within 60 days from the date a completed application, accompanied by the required fee, is filed unless the period is extended by the Commissioner and the reasons for such extension are communicated to the applicant. If the application is denied, the Commissioner shall notify the applicant of the denial and the reasons for such denial.